



# **Merger of IOOF Holdings and Australian Wealth Management**

November 2008



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# Summary of merger



## Transaction

- Merger of IOOF Holdings Limited (IOOF) and Australian Wealth Management Limited (AWM)
- All scrip offer by IOOF, subject to various conditions including AWM shareholder approval. To be implemented by way of Scheme of Arrangement of AWM and its shareholders
- IOOF Chairman, Ian Blair will be Chairman of the merged group and Chris Kelaheer, Managing Director of AWM, will be Managing Director of the merged group

## Exchange ratio

- 1 IOOF share for every 3.73 AWM shares
- In total, IOOF shareholders will own approximately 30% of the merged group and AWM shareholders will own approximately 70%

## Key conditions

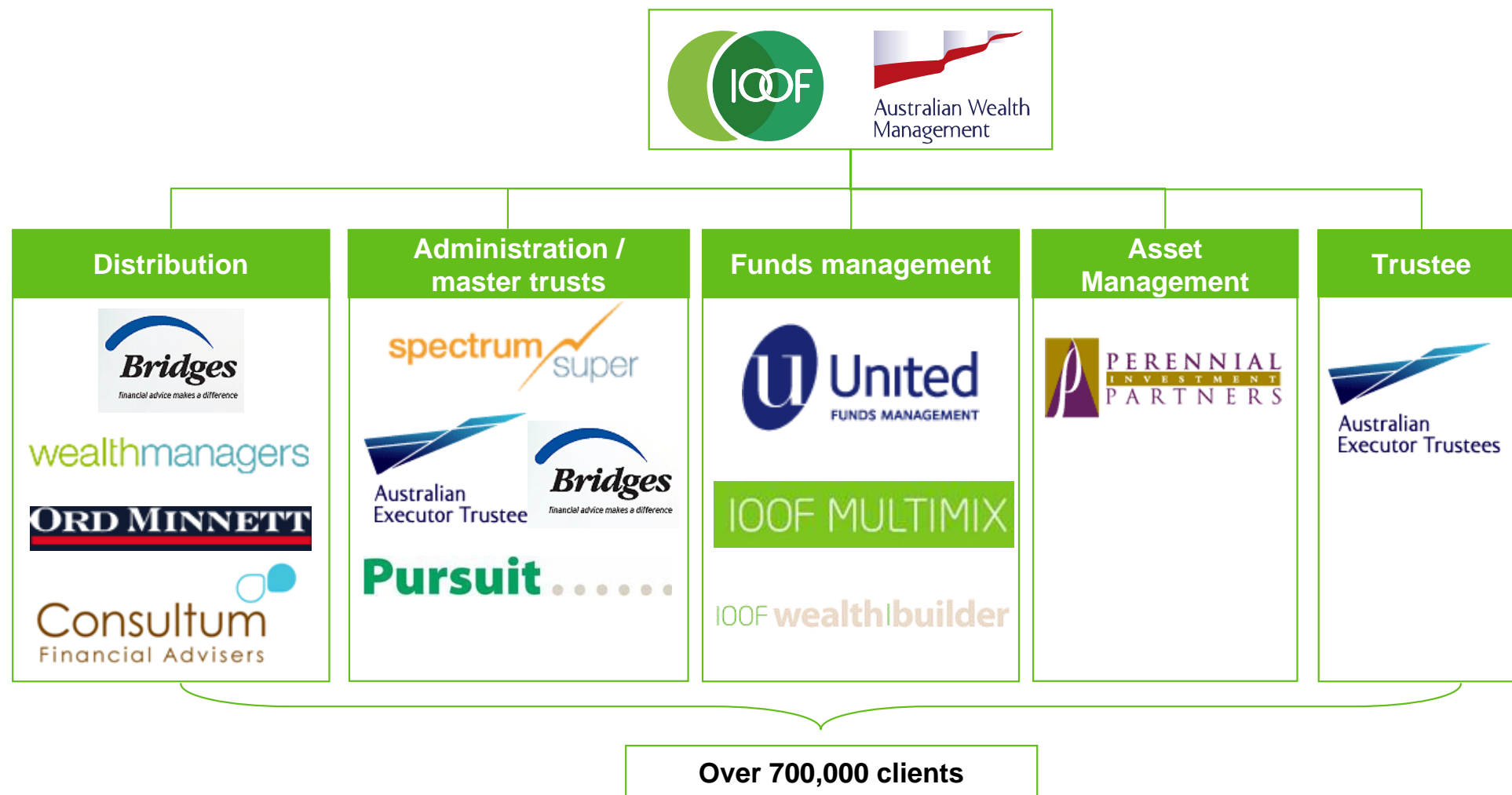
- Completion of 14 business day period of mutual due diligence
- Regulatory approvals
- AWM shareholder approval

## Benefits

- Expected post tax annual cost synergies of \$20 million per annum in the first 12 months post merger
- Substantial EPS accretion for both IOOF and AWM shareholders in the first 12 months post merger

- 1 Stronger vertically-integrated business spanning entire wealth management value chain
- 2 Combination of highly complementary businesses
- 3 Improved industry position and scale benefits from greater operating base
  - Distribution platform with network of over 580 aligned financial advisers
  - Increased FUMAS, including superannuation platforms of \$20.3 billion
- 4 Enhanced financial size and capacity
- 5 Material cost and revenue synergies expected
- 6 Experienced Board and Management team
- 7 Opportunity to leverage legislated growth in superannuation

# 1 Stronger vertically-integrated model



Significant benefits from increased distribution, products and service offerings

## 2 Complementary businesses



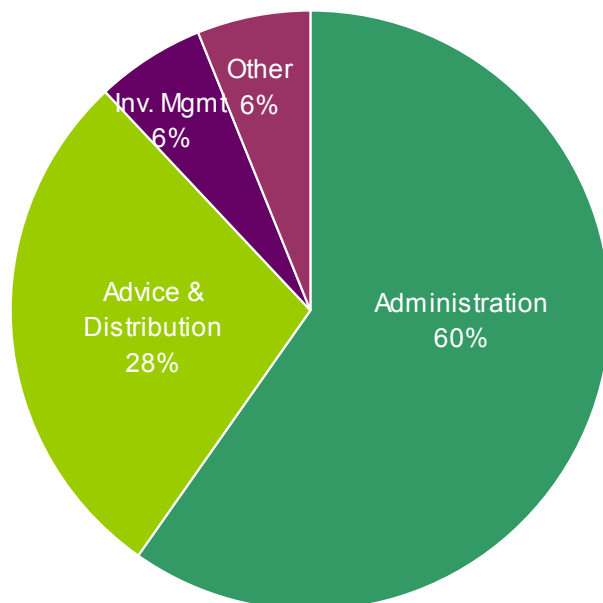
### Business Unit

	Total	Distribution	Administration/ Master trusts	Funds management	Asset Management	Trustee	Corporate office
Unchanged		✓			✓	✓	
Intended rationalisation			✓	✓			✓
Year 1 post tax synergies	\$20.0m		\$10.0m	\$1.5m			\$8.5m

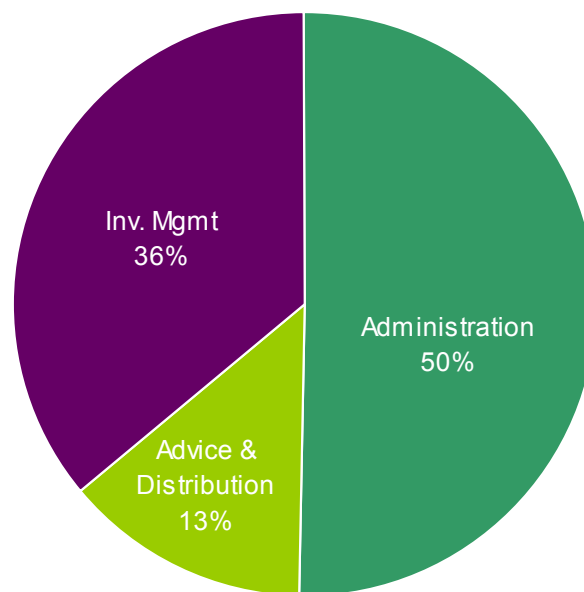
**Merger provides scope for rationalisation of costs in overlapping business units, without impacting customer facing business units**

## 2 Complementary businesses

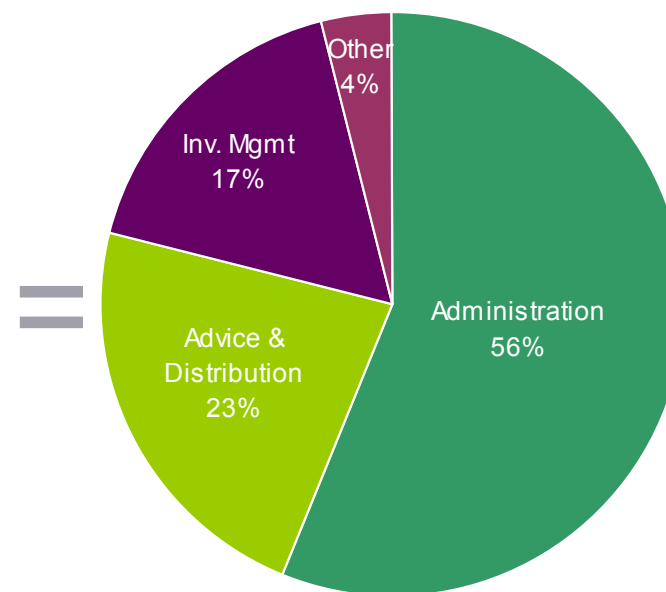
**AWM revenue (FY08)**



**IOOF revenue (FY08)**



**Merged group  
Pro forma (FY08)**



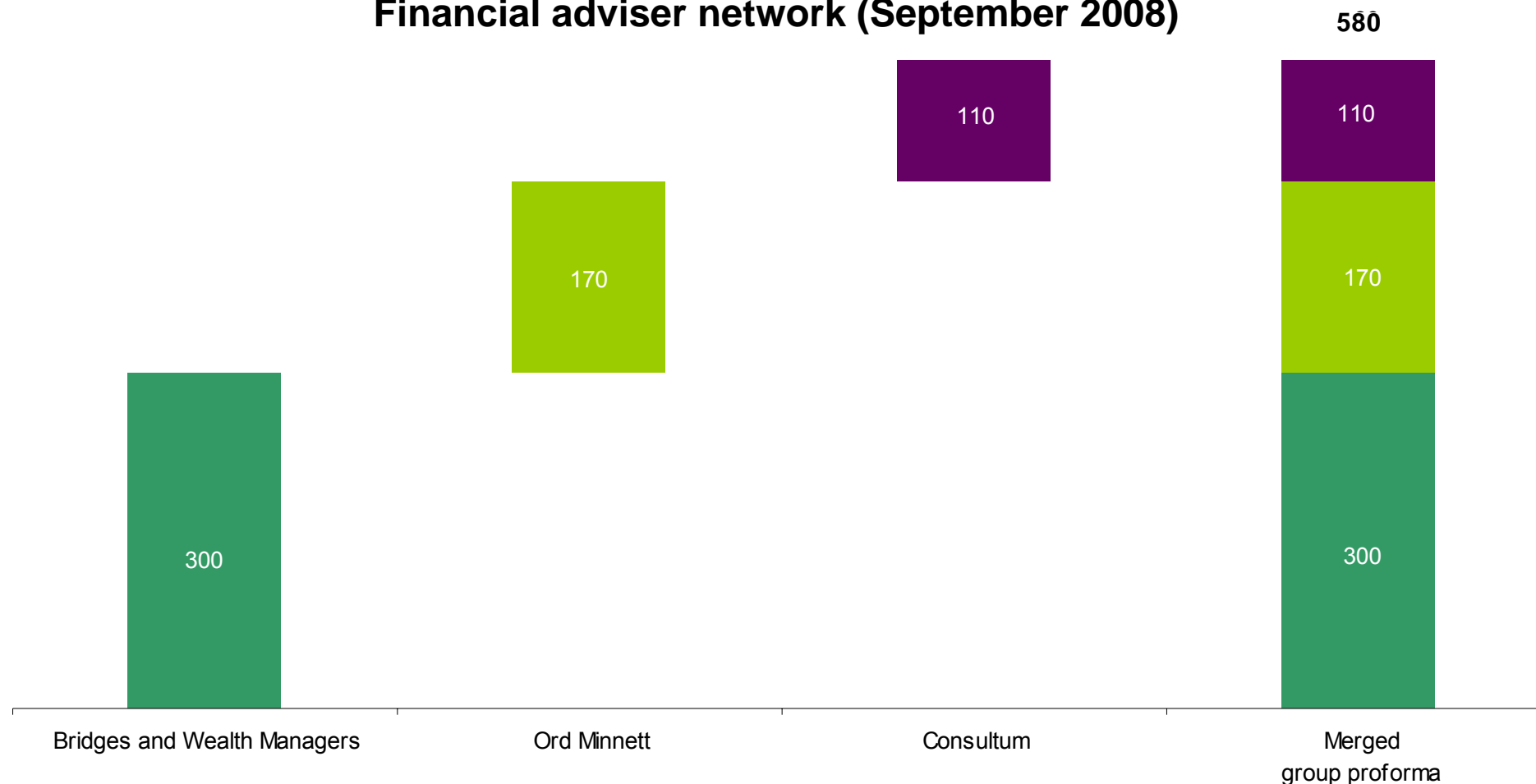
**Similar business mix will reduce merger integration risk**

Note: 1. AWM "Other" includes Private Clients and Corporate Trust. Excludes eliminations and unallocated revenue  
2. IOOF excludes statutory, unallocated and eliminations

# Improved industry positioning: Aligned distribution



Financial adviser network (September 2008)



**Merged group will have a Top 10 ranked distribution network**



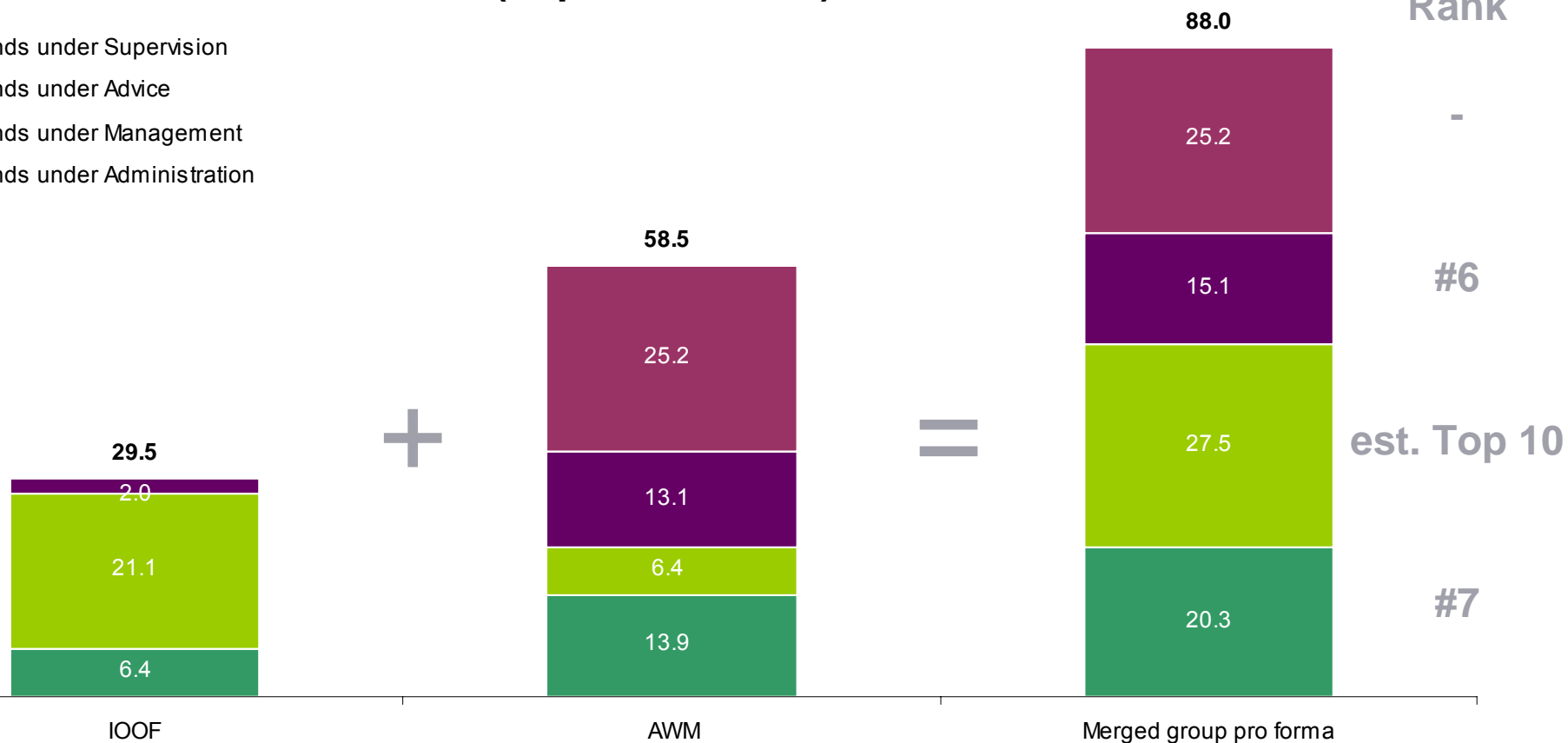
# 3 Improved industry positioning: FUMAS



## Funds under Management, Administration, Advice & Supervision (\$bn) (September 2008)

- Funds under Supervision
- Funds under Advice
- Funds under Management
- Funds under Administration

Industry  
Rank



**Merger enhances the business in each of its key areas**

Source: 1. Funds under advice industry ranking - IFA Dealer Group Survey, October 2008  
2. Funds under administration industry ranking - Money Management, November 2008

## 4 Enhanced financial size and scale



- Market capitalisation of approximately \$700 million based on current prices, with considerable enhanced leverage to improving market conditions
  - Expectation of greater share liquidity for shareholders
- Pro forma FY08 UNPAT of \$109 million, including synergies
- Strong balance sheet with substantial net cash

**Much larger organisation better placed to take advantage of industry opportunities**

## 5 Cost synergies



- Post tax cost synergies of \$20 million per annum in the first 12 months post merger expected
- Synergies include:
  - rationalisation of corporate costs
  - removal of duplicate support infrastructure/systems in overlapping business units, in particular administration
  - reduction in listing costs, Board, insurance, registry and regulatory costs
- Significant additional product synergies likely to become available

**Substantial EPS accretion for both AWM and IOOF shareholders in the first 12 months post merger**

## 5 Revenue growth opportunities



- Significant cross-selling opportunities throughout enhanced distribution network
- Expansion of Ord Minnett broking capability and distribution
- Opportunity for flow of funds to Perennial Investment Partners
- Opportunity to negotiate better transaction terms as a result of scale
- Broader product offering

**Enhanced distribution capability and product range expected to drive revenue growth opportunities across the merged group**

## 6 Experienced Board and Management

- Ian Blair, Chairman of IOOF, to be Chairman of the merged group
- Christopher Kelaheer, Managing Director of AWM, to be Managing Director of the merged group
- Merged group Board to consist of:
  - 4 IOOF directors; including Ian Blair
  - 3 AWM directors; including Christopher Kelaheer
- Tony Robinson will stay on as Managing Director of IOOF until merger completion
- Other positions drawn from both organisations on the basis of merit

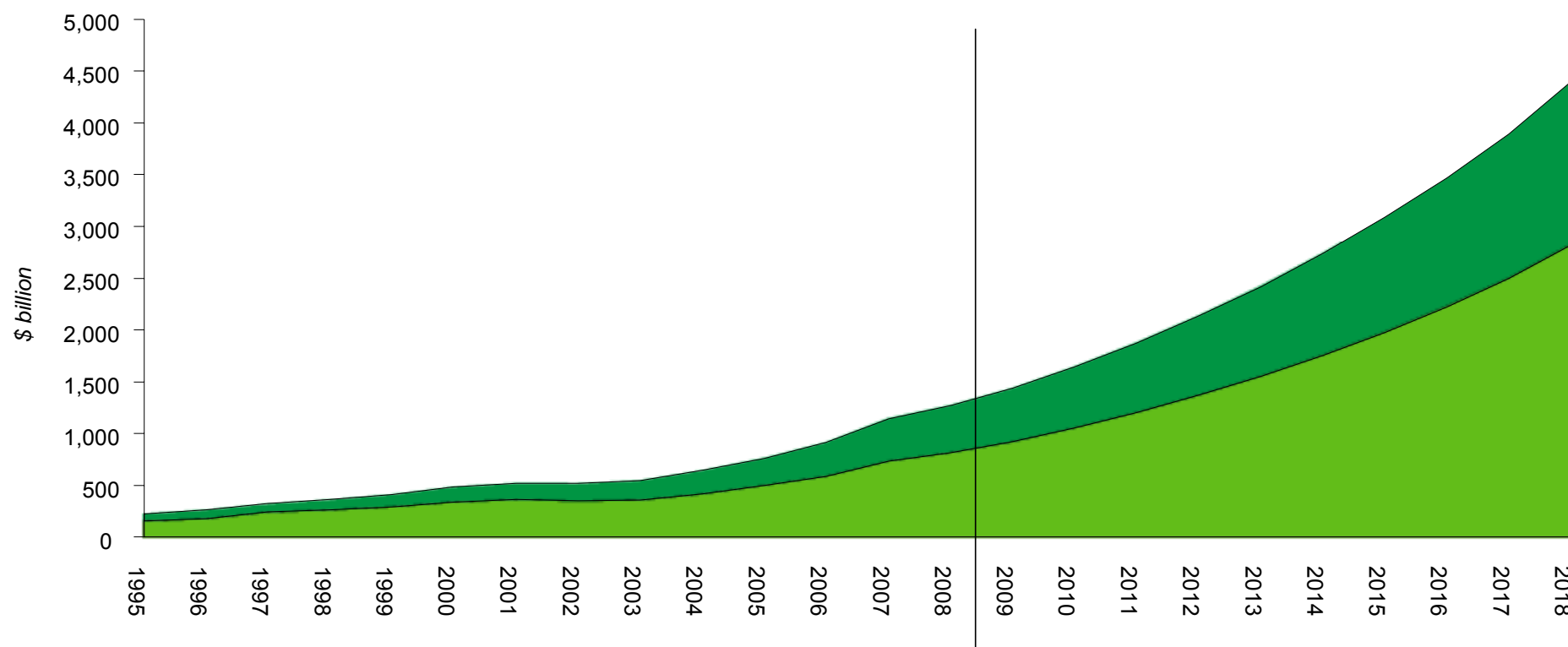
# 7 Significant leverage to legislated growth in superannuation



- Mandated growth in Superannuation

## Superannuation assets 1995 to 2018

■ Through fund managers ■ Directly invested



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## Wealth management

- Desire to generate a vertically integrated wealth management business
- Strategy has three key features:
  - Owning product: superannuation and non superannuation mastertrusts
  - Owning / managing distribution: employed and / or licensed financial planners
  - Combine diverse but related financial services: share trading and trust services
- Ultimate objective to earn multiple slices of revenue from the one transaction
- Growth drivers of this strategy include:
  - Legislated superannuation growth of 9% p.a. (Superannuation Guarantee Contribution)
  - General organic / market growth
  - Opportunistic acquisitions in rapidly consolidating sector
  - Building adviser numbers
- Clear operating focus on retail market with emphasis on superannuation sector
- Continue to pursue scale and manage cost out

## Master trusts / Fund administrator

- Owning the Master trust / administration product to achieve:
  - 100% revenue capture
  - Centralise all system amendments / upgrades and development
  - Manage distribution
  - Maximise all economies of scale

## Investment management

- Develop and deliver a full investment management solution comprising:
  - Traditional direct funds management
  - 'Manage the Manager' funds management solutions
  - Tax effective investment bonds



# Anticipated transaction timetable



- Implementation agreement signed 24 November 2008
- Mutual confirmatory due diligence period to 12 December 2008
- Scheme booklet to be sent to AWM shareholders February 2009
- AWM Scheme Meeting March 2009
- Merger Implementation date Late March / early April 2009

- Creation of leading wealth management provider with FUMAS of approximately \$88 billion
- Post tax cost synergies of \$20 million per annum in the first 12 months expected. EPS accretive for both IOOF and AWM shareholders
- Enhanced distribution platform and potential for significant revenue synergies
- Merged group will have a strong balance sheet with net cash, recurring earnings and strong cash flows
- No change to existing customer relationships
- Focus on improving operational efficiencies
- Continue to seek value creating acquisitions
- Opportunity to leverage legislated superannuation growth